International Trade

After ending GSP benefits for India at the beginning of this month, the United States has signalled that it is open to discussing a revival of the GSP benefits. While the Indian government had termed the move unfortunate, it decided not to push for reinstatement of the GSP benefits would only impact exports of goods worth $5.6 billion, while the entire value of exports from India to the US is $230 billion. However, this week US Secretary of State Mike Pompeo indicated that revival of GSP benefits will be discussed during his visit to Delhi later this month. Recently the US Secretary of Commerce Wilbur Ross had also urged the Indian Government to open up the Indian economy.

Foreign Investment

Changes in e-commerce regulations have had little impact on Investment in the sector. According to new e-commerce regulations, e-commerce firms with foreign investors are barred from selling items from entities which they control or in which they hold a stake. Walmart, which holds a 77% stake in Flipkart said that "had very little impact either on customer experience or on the company's financials" in its latest filing. Amazon also intends to invest an additional INR 2800 crore into its Indian arm after shutting down its Chinese subsidiary. This takes total funding from the American retailer to its Indian subsidiary to INR 30,090 crore. Amazon announced that intends to invest over UNR 35,000 crore in India. India’s ecommerce revenues are expected to jump up to $120 billion in 2020 from $39 billion in 2017, according to the Indian Brand Equity Foundation.
1. The race to become the next UK prime minister is heating up. Boris Johnson seems to be emerging as the clear front runner, winning 114 votes in the first round of voting by conservative members of the parliament. The runner up, Jeremy Hunt managed only 43 votes. Mr Johnson, an ardent Brexit supporter, has repeatedly voiced his backing for a no-deal Brexit, a scenario which many experts have said will be catastrophic for the UK. Mr Johnson also does not intend to pay the Brexit financial settlement promised to the EU. Remain and soft-Brexit supporting Conservative leadership candidates are considering an alliance to stop Mr Johnson from becoming Prime Minister.

2. Massive protests rocked Hong Kong this week as hundreds of thousands of citizens took to the streets to protest a new crime bill which would allow for Hong Kong citizens to be extradited and tried in China. Hong Kong, officially known as the Hong Kong Special Administrative Region of the People's Republic of China, has separate governing and economic systems than China. Hong Kong has its own legal system and borders, and rights including free speech and freedom of assembly. But in recent years an increasing authoritative China has attempted to erode the freedoms available to citizens in Hong Kong with the help of a pro-Beijing Hong Kong government. A new bill which would de-facto expose Hong Kong citizens to China’s harsh judicial and penal system prompted over a million citizens to protest. There is widespread fear that the new bill would allow extradition of democratic activists to Mainland China.

3. Pakistan appears to be facing a textbook economic crisis as economic growth has fallen to a nine year low. Government revenues have stalled and youth employment is reaching double figures. Due to a widening current account deficit the Pakistan Central Bank has increased interest rates. It increasing looks as if Imran Khan’s government will have to approach the IMF for a bailout, the 13th such bailout since the 1980s.